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# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

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## **MBA PROFESSIONAL REPORT**

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### **Implementation of Activity Based Cost Management Aboard Base Installations**

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**By: Nicholas R. Perkins  
James Stanley  
Laura Zander  
September 2004**

**Advisors: Kenneth J. Euske  
Donald E. Summers**

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**IMPLEMENTATION OF ACTIVITY BASED COST MANAGEMENT ABOARD  
BASE INSTALLATIONS**

Nicholas R. Perkins, Captain, United States Marine Corps  
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Submitted in partial fulfillment of the requirements for the degree of

**MASTER OF BUSINESS ADMINISTRATION**

from the

**NAVAL POSTGRADUATE SCHOOL  
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# **IMPLEMENTATION OF ACTIVITY BASED COST MANAGEMENT ABOARD BASE INSTALLATIONS**

## **ABSTRACT**

This project is a comparative analysis of the implementation process of Activity Based Cost Management of Marine Corps Logistics Base, (MCLB), Albany, and the implementation procedures used aboard MCB Camp Lejeune. Interviews and data gathering were conducted to identify how the respective Business Performance Offices (BPO), plan, implement, monitor, and measure performance of their process to introduce ABCM at the base installation level. We studied the means by which the two organizations allocated resources to this change process and their cost objects. An analysis of benchmarking goals as well as relative barriers to the implementation was conducted to find commonalities between the two, or to determine if those goals and are unique to each organization. It should be highlighted that this project is not intended to identify which, if either, process is superior or if inherent problems or impediments are attributable to internal issues within the respective organizations. The project describes and discusses environmental differences that facilitate or hinder the implementation and offers recommendations to aid in ABCM implementation process procedures.



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# **I. INTRODUCTION**

## **A. PURPOSE**

The purpose of this MBA Project is to perform an analysis of the implementation of Activity Based Cost Management (ABCM) at Marine Corps Base Camp Lejeune and Marine Corps Logistics Base Albany. The analysis includes a comparison of the two organizations to include organization structure, strategic plans, and implementation procedures. The report provides insight into the different approaches used by the organizations and highlights those items that facilitated the implementation as well as those that may have delayed the process.

## **B. BACKGROUND**

The Marine Corps, like all other DoD organizations has been faced with declining resources. At the same time, there is an expectation that they will continue with the mission to train Marines and provide the necessary skills for combat.

Government initiatives such as competitive outsourcing through the use of OMB Circular A-76, the National Performance Review (NPR) and the Government Performance Results Act (GPRA) have provided the basis for organizations to analyze the work they are doing, the resources consumed by performing that work, and opportunities to improve the way work is done.

In 1999, senior leadership within the Marine Corps met to discuss the impact that these initiatives were having on the organization. At that time, the Commanding General at Camp Lejeune advocated that:

1. ABCM was essential to understand how Marines managed themselves
2. ABCM was vital to make intelligent decisions regarding outsourcing and privatization
3. ABCM could be used as a method to determine areas to cut costs (ABC Technologies Case Study, 2001)

Beginning in 1996, the Marine Corps adopted ABCM through the Headquarters of the Marine Corps (HQMC), targeting work done in the facilities departments at all



installations. As base commanders began to recognize the need for more detailed cost information, several commanders began the process of implementing ABCM at a local level, covering more than just the facilities departments. Camp Lejeune and Albany were among those early implementation sites. (ABC Technologies Case Study, 2001)

In January 2000 the Marine Corps team, with the support of a contractor, began working on seven ABCM implementation efforts at the same time. (ABC Technologies Case Study, 2001) Their approach included a requirement for standardization across all entities in terms of process identification and model development. We review those standardized processes later on in the project report.

Within the Marine Corps, there is an ongoing commitment to the initiative which includes expanding the capabilities and uses of the system and information generated by those systems. Plans for the future include:

- the use of activity-based information in the development of the Program Objective Memorandums (POMs),
- holding functional managers responsible and accountable for cost and performance management,
- and ensuring that scorecard information is available on every manager's desktop (ABC Technologies Case Study, 2001)

#### **C. PROJECT OBJECTIVE**

Responding to a request by Colonel Dave Clifton (USMC, ret.) the project team began a literature search for a team working with the Consortium for Advanced Manufacturing – International (CAM-I). Soon after the literature search began, the team was tasked with expanding the scope from just a literature search to also providing the CAM-I group with an analysis of the ABCM implementation efforts at two Marine Corps Installations. The objective of this project is to provide that comparison and highlight areas that have facilitated or hindered the implementation.

#### **D. SCOPE**

We studied the methodology used to execute the implementation to include utilization of resources, individual site benchmarking goals, and barriers to success. Our

project is not designed to identify one implementation as being superior to the other, or to identify specific internal issues at either installation. Rather, we describe and discuss the environmental differences that have either facilitated or hindered the implementation and offer recommendations for the on-going ABCM initiative.

#### **E. METHOD**

Our approach to this study includes an analysis of government reform initiatives that have played a significant role in influencing the direction of the HQMC as it relates to cost and performance management. Through site visits and interviews, we collected data relevant to the two installations under study and analyzed the data gathered, highlighting the similarities and differences of both, we provide recommendations to the Marine Corps Center for Business Excellence (CBE).

#### **F. ORGANIZATION OF STUDY**

The chapter immediately following the introduction is a review of the most relevant initiatives related to government reform and the work that the Marine Corps is doing related to cost and performance management. The next three chapters provide a review of the Marine Corps strategic plan along with an analysis of the plans for both MCB Camp Lejeune and MCLB Albany. Next, we address the similarities and differences of the two installations. Finally, we highlight recommendations for future action by the Marine Corps CBE.

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## **II. DOD POLICIES AND DIRECTIVES – AN OVERVIEW**

### **A. OFFICE OF MANAGEMENT AND BUDGET, CIRCULAR A-76 - 1966**

The process of reviewing activities that are commercial in nature dates at least to as the Eisenhower Administration and Budget Bulletin 55-4 issued in January of 1955. The bulletin noted that “It is the general policy of the administration that the Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels.” (Bulletin No. 55-4, 1955)

Circular A-76 was first published in 1966, with revisions made in 1979 and then again in 1983. The document issued in 1983 by the Office of Management and Budget (OMB) established Federal policy regarding the performance of commercial activities. The change to the Circular documented the procedures that are to be used in determining whether activities that are commercial in nature should be performed by in-house Government personnel and facilities, or whether they should be performed under a contract through commercially available resources. (OMB Circular A-76, 1983)

The policy outlined in the Circular A-76 states that the United States Government will:

1. Achieve economy and enhance productivity: Whenever commercial sector performance of a Government operated commercial activity is permissible, a cost comparison between contracting and performing the function in-house shall be completed to determine who will do the work. The costs in the comparison must be comprehensive, realistic and fair.
2. Retain governmental functions in house: Functions that are inherently governmental in nature and, therefore, must be performed by Federal Employees will not be in competition with the commercial sector.
3. Rely on the commercial sector: The Federal Government will rely on commercially available sources to provide products and services. This means that the government will not start or carry on an activity to provide

a product or service if it can be procured more economically from a commercial source. (OMB Circular A-76, 1983)

There are instances where activities defined as commercial in nature will be retained within the Federal Government. Each case is clearly documented in the Circular A-76 document. However, the item most relevant to this project is the one that states;

Government performance of a commercial activity is authorized if a cost comparison prepared in accordance with the Supplement demonstrates that the Government is operating or can operate the activity on an ongoing basis at an estimated lower cost than a qualified commercial source. (OMB Circular A-76, 1983)

## **B. THE CHIEF FINANCIAL OFFICERS (CFO) ACT - 1990**

The CFO Act, signed into law November 15, 1990 marked the beginning of the new approach to federal management and accountability as well as the requirement to gain financial control of government operations. The CFO Act provided for federal financial management by giving the Office of Management and Budget (OMB) new authority and responsibility for directing federal financial management. Also included in their area of responsibility was the requirement to modernize the financial management systems and strengthen the financial reporting done by agencies. (GAO/AFMD-12.19.4)

The primary focus of the CFO Act centers on the need for improved financial information for managers. Some specific requirements of the Act include:

1. that agency CFOs' develop and maintain accounting and financial management systems which report cost information.
2. integrate accounting and budgeting information.
3. that agency financial management systems must provide for the systematic measurement of performance.
4. that financial statements be prepared and audited. (GAO/AFMD-12.19.4)

## **C. NATIONAL PERFORMANCE REVIEW - 1993**

The National Performance Review (NPR) was a Clinton-Gore Administration initiative to create a government that works more efficiently and costs less. Established in March 1993, President Clinton appointed Vice President Al Gore to lead the review

team staffed with over 250 consultants and civil servants. By September 1993, the Vice President was able to deliver a comprehensive report, *Creating a Government That Works Better and Costs Less*, describing 384 recommendations which were later documented in the form of 1,250 specific actions intended to save \$108 billion, reduce the number of “overhead” positions and improve the operations of the Federal Government. (National Performance Review, September, 1996)

The recommendations from this initial report served as the first phase of the organizational reinvention under the Clinton-Gore Administration. Following publication of the report, a staff of about 50 civil service employees continued on as members of the task force and began the task of implementing the recommendations. Efforts included training federal employees about customer service and establishing reinvention labs for pilot projects as well as streamlining functions performed by individuals assigned to headquarters. By September of 1994, NPR determined that not only had agencies been successful in the implementation of the initial findings, they had gone beyond expectations and identified additional areas for improvement. (National Performance Review, September, 1996)

In December of 1994, a second phase of the reinvention initiative was launched under the direction of Vice President Gore. Phase II directed agencies to take a look at the work they were performing and determine what government should or should not be doing. In a January 1995 memo from the Vice President to the Heads of Executive Departments and Agencies, he instructed each of them to ask:

1. “If your agency were eliminated how would the goals or programs of your agency be undertaken by other agencies, by states or localities, by the private sector, or not at all?
2. If there are goals or programs of national importance that will remain undone and require a federal role if they are to be accomplished, should they be done differently than they are being done today in order to enhance service to the customers?

3. How do your customers (not just interest groups) feel about the possible eliminations or changes? This would build on your ongoing efforts to get customer input about the services they want, and how to improve satisfaction with the services we provide. Throughout the review we have to continue to put customers first and to deliver on our published customer service standards.” (Vice President Memo, 1995)

In 1994, during Phase II of the reinvention efforts, the Republicans regained control of Congress during the mid-term election. The focus shifted from process reform to the question of what government should do. (Kettle, 1998)

In 1998, in an attempt to revitalize the NPR initiative, Vice President Gore changed the name to the National Partnership for Reinventing Government. Five new strategies were identified in this third phase to include:

1. Working to transform “high-impact agencies” into more productive government operations,
2. Using outcome measures to transform federal management,
3. Building partnerships and developing strategies to prevent problems,
4. Giving employees more freedom to do their jobs while holding them accountable for achieving outcomes,
5. Development of one-stop information and service. (Kettle, 1998)

#### **D. GOVERNMENT PERFORMANCE RESULTS ACT - 1993**

The Government Performance Results Act (GPRA) of 1993 has its roots in the first phase of the NPR implementation. OMB took the lead for the development of GPRA, an act that was to provide for the establishment of strategic planning and performance management in the Federal Government. The act identified six purposes:

1. improving the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving program results,

2. initiating program performance reform with a series of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress,
3. improving Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction,
4. helping Federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality,
5. improving congressional decision making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of Federal programs and spending,
6. improving internal management of the Federal Government. (GPRA, 1993)

The development of GPRA produced the addition of Sec. 306, Strategic Plans, to Chapter 3 of Title 5, United States Code. This section states that the head of each agency will submit to the Director of OMB and to Congress a strategic plan for program activities. The first plan was due September 30, 1997 and was to cover a period of not less than five years forward and was to be updated and revised at least every three years. (GPRA, 1993). The plans should contain the following:

1. a comprehensive mission statement;
2. general goals and objectives, including outcome-related goals and objectives for the major functions and operations of the agency;
3. a description of how the goals and objectives are to be achieved, to include all resource requirements;
4. a description of how the performance goals in the plan required by Title 31 related to the general goals and objectives in the strategic plan;



5. an identification of those key factors external to the agency and beyond its control that could significantly affect the achievement of the general goals and objectives;
6. a description of the program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations. (GPRA, 1993)

Section 4 of GPRA also amended Chapter 11 of Title 32, United States Code, by the addition of Sec.1115. Performance Plans. This section identified the requirement for each agency to report to the Director of the OMB an annual performance plan. The plan required:

1. the establishment of performance goals to define the level of performance to be achieved by a program activity;
2. such goals be expressed in an objective, quantifiable, and measurable form;
3. brief description of the operational processes, skills and technology along with resources required to meet the performance goals;
4. the establishment performance indicators to be used in measuring or assessing the relevant outputs, service levels and outcomes of each program activity;
5. provision of basis for comparing actual program results with the established performance goals;
6. a description of the means to be used to verify and validate measured values. (GPRA, 1993)

The last section of GPRA as it relates to its execution is the requirement for agencies to prepare and submit to the President and the Congress, a report on program performance for the prior fiscal year. These reports are due each March 31<sup>st</sup> and began

with the first report due in 2000. Each report will then include the previous year's results and by 2002 would show a three years running history. The reports should include items such as:

1. reviewing the success of achieving the performance goals of the fiscal year,
2. evaluating the performance plan for the current fiscal year relative to the performance achieved toward the performance goals in the fiscal year covered by the report,
3. explaining and describing where a performance goal has not been met,
4. the summary findings of those program evaluations completed during the fiscal year covered by the report. (GPRA, 1993)

#### **E. SUMMARY**

The DoD directives and policies described above have had a significant impact on how the Marine Corps develops its strategic plan and how it operates at each installation. From the introduction of Activity Based Cost Management (ABCM) to the use of standardized performance measures, the Marine Corps is pursuing reinvention initiatives which support the direction provided through the release of the GPRA. The application of ABCM provides the MCB Camp Lejeune and the MCLB Albany with the data needed to measure performance and evaluate progress as it relates to their strategic initiatives. The remainder of this report discusses the specific application of ABCM along with the use of the Balanced Scorecard at each of the two Marine Corps installations.

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### **III. THE UNITED STATES MARINE CORPS BUSINESS PLAN**

The United States Marine Corps Business Plan was born from an ongoing process throughout the national government to streamline activities and implement better cost and performance management measures and business practices. According to the Strategic Introduction of the USMC Business Plan much of the direction and guidance offered in the Government Performance and Results Act of 1993, (GPRA), as well as the OMB Circular A-76 are incorporated into the plan. While the USMC uses these two sources as guidance for the creation and implementation of its business plan, the somewhat complex language within government issued documents, was simplified by the authors of the plan in order to enhance understanding of the intent of this plan and process of implementation. This brief analysis is not intended to educate the reader on the plans and strategies within the USMC Business Plan but rather to assist in developing an understanding behind the remainder of this project, which focuses on the implementation of Activity Based Cost Management (ABCM) and the Balanced Scorecard (BSC) aboard two different Marine Corps Bases. An enhanced perception of the guidance delivered to the two Business Performance Offices (BPOs) aboard these bases will facilitate the understanding of the research and analysis of the information.

Intended to be a blueprint for implementing better business practices throughout the Marine Corps, the current business plan presents the Commandant's direction to manage the Business Enterprise. The Business Enterprise is defined in the executive summary as "those components of the Marine Corps' active and reserve forces that provide the goods and services needed to ensure the successful performance of the mission of the operating forces." (USMC Business Plan, 2003, Executive Summary, pg. iii) The three components alluded to are 1) acquisitions, 2) logistics and combat service support, and 3) installations. (Figure 1) The business plan is organized by intended outcomes, each of which includes "narrative information and specific implementation strategies and actions." (USMC Business Plan, 2003, Executive Summary, pg. iii) The Marine Corps' Center for Business Excellence (CBE) has been given responsibility for the coordinating the implementation of the business plan across the Corps in conjunction

with base installation BPOs. The bottom line for the reformation of the Marine Corps' Business Enterprise is to "realize efficiencies and make funds available for higher priority needs to support the four areas of Marine Corps innovation, i.e., transformational technology, new operational concepts, refined organizations, and better business practices." (USMC Business Plan, 2003, pg. 1)

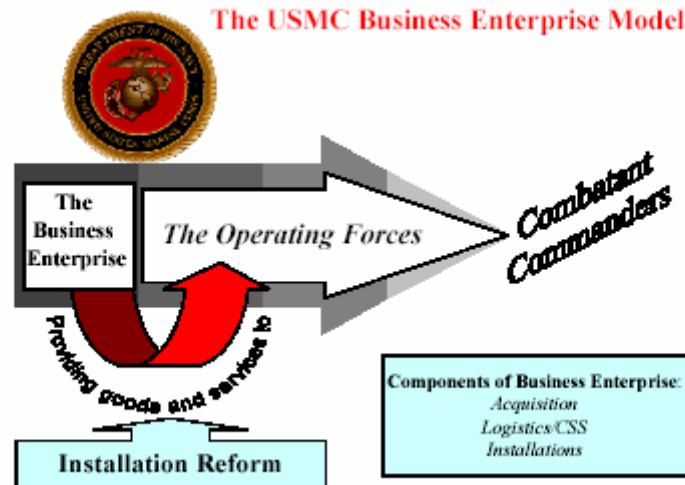


Figure 1. USMC Business Enterprise Model (From USMC Business Plan, 2003)

Commanders at all levels of the Marine Air Ground task Force (MAGTF) are expected to use the tools offered through the Balanced Scorecard (BSC) to direct and align their strategic plans for implementing the guidance from the business plan. The Marine Corps business plan incorporates the BSC from the Balanced Scorecard Collaborative, Inc., lead by Dr. David P. Norton and Dr. Robert S. Kaplan. The formal definition of the balanced scorecard is written as "a tool for measuring organizational performance across four balanced perspectives; financial, customers, internal business process, and learning and growth. The BSC translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system." (Kaplan and Norton, pg. 2) More simply stated the scorecard is a reporting tool used to provide a simplified view of progress and/or performance. The strategic approach of the business plan is to integrate measures to capitalize on the use of cost and performance management. The scorecard is supposed to offer a consistent measurement device to track the progress of cost and

performance management implementation. Using a standard set of measurements across similar activities will allow for improved information analysis as well as align individual accountability. It is important for commanders to understand that the implementation of the business plan is not simply to reduce costs, but rather to better manage the enterprise. Commanders will use ABCM and the Balanced Scorecard to manage their areas of responsibility and identify and correct redundancies or inefficiencies. Reductions in cost are an expected outcome but not the focus of the strategy. The business plan's guidance to commanders for turning this strategy into the intended outcomes is depicted in Figure 2 below.

Commanders develop their strategic plans and metrics for measuring performance and development based on priorities and benchmarked targets. These plans are enhanced through the use of ABCM and the BSC to develop alignment and accountability in the strategic planning process. The tactical plans for implementing and executing the strategic plans are given to the functional managers to develop or improve the process that will promote the Commanders' strategy.

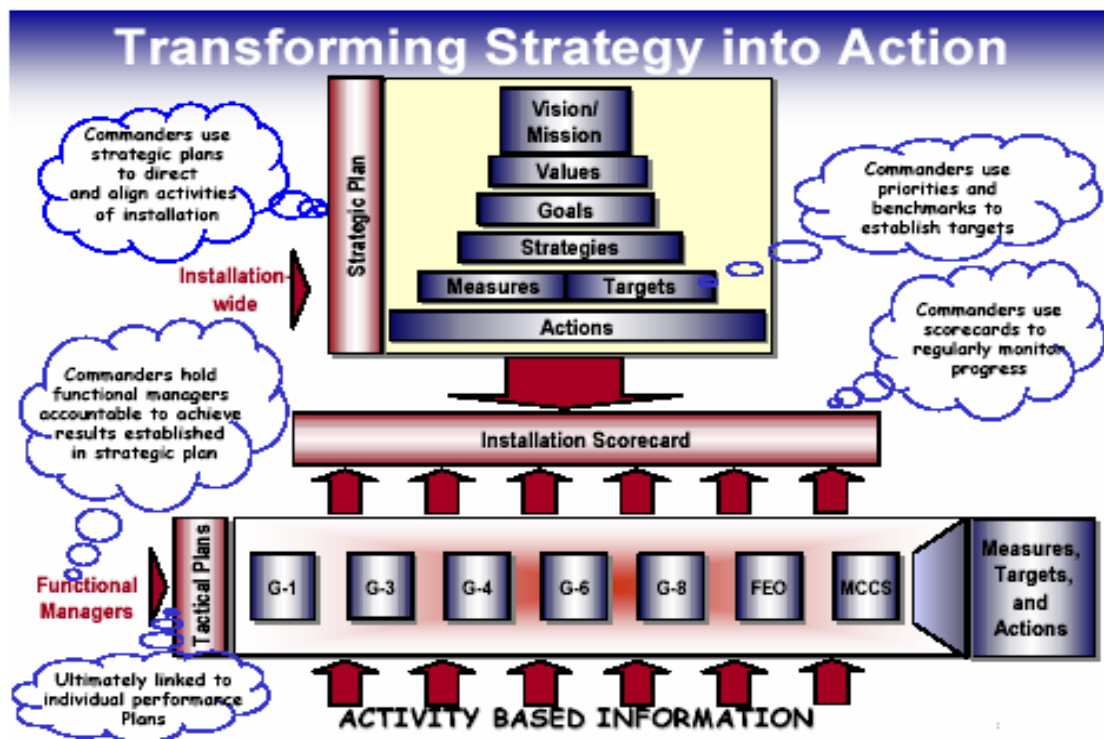


Figure 2. Transforming Strategy into Action (From USMC Business Plan, 2003)

According to the Assistant Commandant of the Marine Corps, General W. L. Nyland, two of the overarching goals of the original business plan published in 1999 included (1) achieving a reduction in installation budgets of \$86M without compromising mission support and (2) returning 2600 Marines to the operating forces have already been realized. These goals were achieved by the entire Marine Corps and not realized by any one command. A revision to the original business plan, published in April 1999, is intended to provide positive incentives in the form of savings which would be retained by the command. These savings would be generated by exceeding the goals established in the business plan. In addition, the A-76 program, which is a key driver behind the business enterprise reform, is expected to provide commands with a way to negate the loss of critical manpower in the areas where billets were vacated by Marines returning to the operating forces. The culture of “do more with less” carries an expectation of increased burden via the loss of critical resources. The business enterprise reform proposes to add to this philosophy that the Marine Corps can “do more with less, via better management of resources and improved efficiency” through use of the standards depicted in the business plan. (USMC Business Plan, 2003, pg. 4)

The remainder of the business plan explains, in greater detail, six expected outcomes and strategies for realizing the goals established in the executive summary of the business plan. A proposed list of specific actions and their responsible parties are listed in the plan with expected due dates for the outcomes. The expected outcomes are as follows: (1) Strategic Planning and Assessment, (2) Direction, Alignment, and Accountability, (3) Resource Management, (4) Process Improvement, (5) Data Automation, and (6) Knowledge Management. (USMC Business Plan, 2003)

Outcome one, Strategic Planning and Assessment is to be achieved through a Standards of Excellence Assessment Program. Specifically stated, it is “The Marine Corps’ program for evaluating, reporting, and improving the business practices of installations using principles and techniques of the Malcolm Baldrige National Quality Program’s criteria for performance excellence.” (USMC Business Plan, 2003, pg. 7) Strategic Planning and Assessment, is further broken down into more specific strategies that provide guidance and assistance from HQMC CBE in the coordination and

development of key stakeholders. Critical strategic documents that are to be integrated with the development of the business plan are:

1. Commandant of the Marine Corps (CMC) Strategy 21, which is the overarching direction for the Marine Corps as a whole,
2. The Installation Vision 2020, which is the vision for installations for the next two decades,
3. Individual HQMC developed campaign plans that identify functional direction,
4. The Strategic Plan for Installations,
5. The Business Plan,
6. The Business Manual (Figure 3).

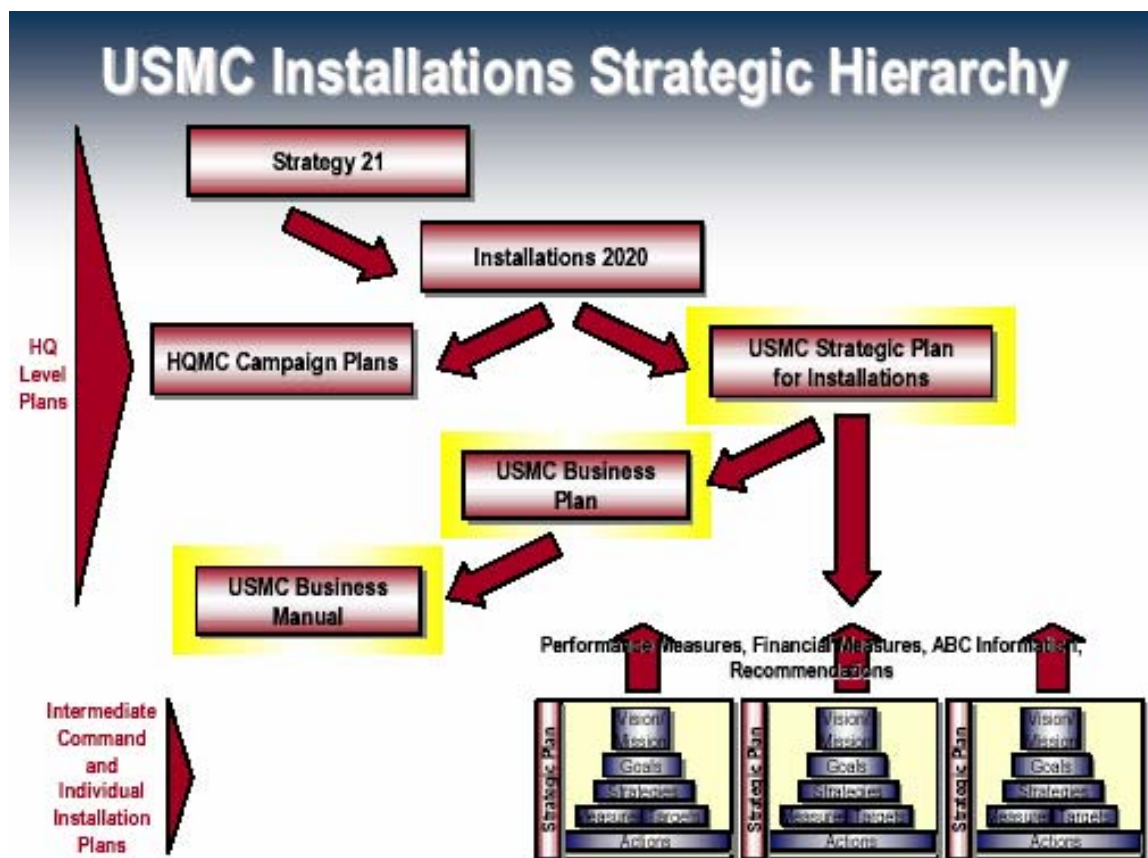


Figure 3. USMC Installations Strategic Hierarchy (From USMC Business Plan, 2003)



Direction, Alignment, and Accountability, outcome two, identifies the strategic output of performance management. Measurements of the integration of Marine Corps and business strategies are to be linked via scorecards at all levels of the installation to achieve direction for implementation, alignment of activities with those strategies, and accountability of commanders implementing these directives. One portion of the measurement considered critical in the development of these scorecards is that installation mission readiness and customer satisfaction are critical to determining success. While building scorecards that are accurately aligned with strategic plans, customer assessment of its success is a decisive measure. Implementation aboard installations of a web based Interactive Customer Survey (ICE) will be the tool to gather that valued perspective.

Outcome number three, Resource Management is intended to use of Activity Based Resource Management (ABRM) to justify and support the efficient and effective management of the USMC installation resources. Activity Based Costing (ABC) models are specified to be used to improve visibility of costs and operational data in order to “(1) facilitate comparative analysis among like organizations and processes, and (2) allow for comparative analysis of the same organization or processes over time.” (USMC Business Plan, 2003) The business model will use this analysis among similar organizations to implement an open book management philosophy. As stated in the business plan, the open book management tool is based on the principle that “the more people know about the operations of an organization, the better it will perform.” This information is planned to be shared across organizations to aide improvements in performance and cost management. “It is a means to identify efficiencies leading to best practices, and also a means to educate people to work together to achieve common Marines Corps goals.” (USMC Business Plan, 2003)

Outcome four, Process Improvement is the expected result of the implementation of the business plan. The outcomes from the three previous strategies become aligned through the process improvement and innovation described in this outcome. Benchmarking is introduced to assist in sustaining high levels of performance and cost efficiency. The Beneficial Suggestion Program, whereby employees can submit process

improvement recommendations, will be used identify innovations in business reform and subsequent benchmarking as part of the installation reform. These innovations will be published as benchmarking activities analyzed to ensure adherence to existing ABC models.

As manpower and resources are reduced through the identification of redundancies within processes, business activities will become leaner and better focused on strategic objectives. In order to successfully compete against potential contracts from outsourcing efforts, outcome four will be essential for the implementation of further A-76 studies.

Outcome number five, Data Automation, will take data collected from ABCM models and scorecards for use in building a standard architecture. The standard architecture identified here is best defined from the perspective of the Extensive Business Intelligence Tool, or XBIT. The XBIT “implements a data warehouse architecture to automate the extraction of data from legacy systems. These sources contain the necessary personnel and financial information for each command’s activity based cost application.” (USMC Business Plan, 2003) The strategic intent for this automation is to generate a shared-data environment as a single source for information analysis of Marine Corps wide ABCM activities. The Business Performance Office (BPO) at Camp Lejeune is currently using QPR process management software to support data collection of its ABC model and scorecard input information. A pilot program is underway that will switch data warehousing collection to SAS systems. If proven successful, SAS software will become the Marine Corps CBE tool and implemented in all installations.

The strategy behind outcome number six, Knowledge Management, is intended to focus on three specific communities: Community of Practice (COP), Leadership, and Community of Interest (COI). The COP is comprised of all individuals, Marines and civilian Marines, of the BPOs supporting the leadership at installations, intermediate commands, and HQMC in the USMC business reform. At the time of this report, the COP consisted of only Camp Lejeune and MCLB Albany installations. The knowledge management of this COP is intended to (1) improve overall management of the Marine Corps Business Enterprise, and (2) provide a systematic approach to collaborate and

share institutional knowledge. The leadership community is to be comprised of individuals who have been properly trained in the Business Enterprise Reform strategies. The COI are those individuals with a vested interest in the business reform efforts and are comprised primarily of members of the CBE and installation BPOs respectively. (USMC Business Plan, 2003, pg. 13)

The Appendix A of the Marine Corps Business Plan lists outcome specific actions to be taken and the responsible parties for those actions. Also, the due dates for those actions are given. However, as of the 04 July 2003 revision to the business plan, many of the due dates were revised and set to later dates. The extension of the dates that were changed varies between two and twelve months.

Appendix B of the plan is the actual installation process model of standard business management activities generated by the CBE. The activities described in this model are planned to be implemented across the Marine Corps enterprise, which would include current “non-COP” participants such as Camp Pendleton and Okinawa, Japan. A graphic of the model can be seen in Figure 4 below. The process model identifies thirty seven (37) processes considered standard across installations Marine Corps wide. The term “standard” in this case suggests that there will be no processes in base installation activities that will lie outside of these thirty-seven categories. However, not all activities will necessarily be found in a single installation command.

## Installation Process Model Standard Business Management Categories

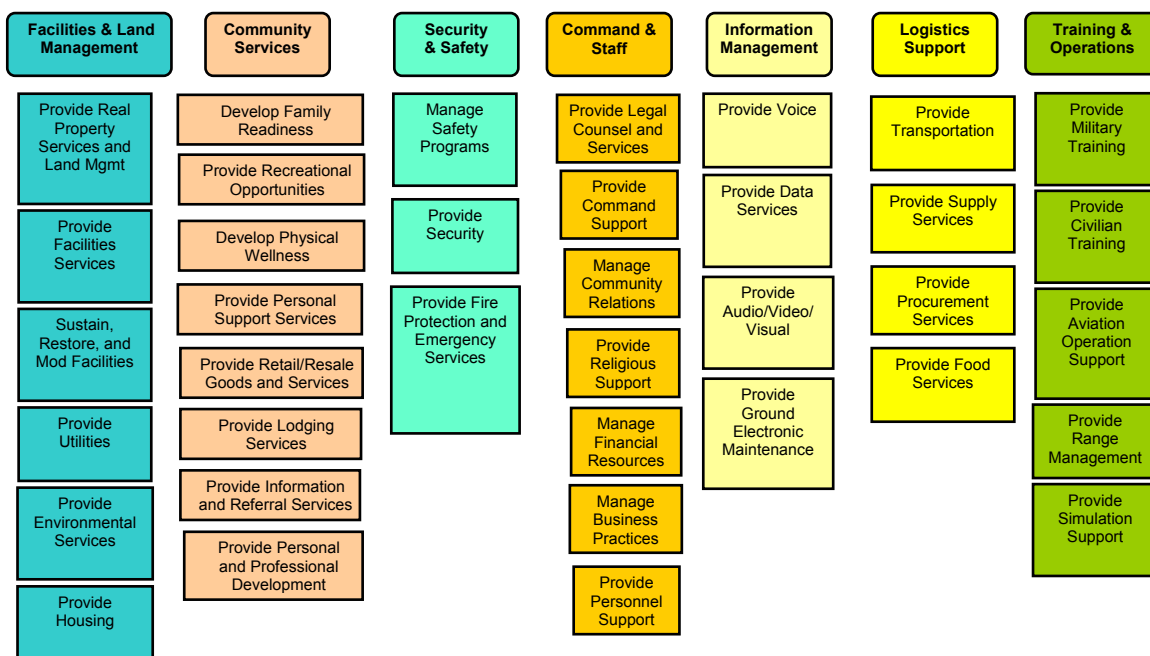


Figure 4. Installation Process Model (From USMC Business Plan, 2003)

The strategic objectives for implementation of the USMC Business Plan presents the Commandant's direction to manage the Business Enterprise defined in the executive summary as "those components of the Marine Corps' active and reserve forces that provide the goods and services needed to ensure the successful performance of the mission of the operating forces." (USMC Business Plan, 2003, Executive Summary, pg. iii) The three components are 1) acquisitions, 2) logistics and combat service support, and 3) installations. The subsequent information provided in this study reflects the implementation of the business plan at the installation commands located at Marine Corps Base, Camp Lejeune, and Marine Corps Logistics Base, Albany.

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#### **IV. MCB CAMP LEJEUNE STRATEGIC AND BUSINESS PLANS**

Our team conducted an on-site visit to Marine Corps Base (MCB) Camp Lejeune during October 2003. In gathering our data, we interviewed the Business and Logistics Support Department's (BLSD) Assistant Chief of Staff (ACS) along with the BLSD's Management and Program Analyst who handles the ABC models, Mrs. Pat Toomey. The Assistant Chief of Staff of BLSD is Mr. Harold Smith. He briefed our team on the presentations he gives to newly assigned base commanders. These briefings take place annually at Penn State and his portion covers business decisions they will face in their new positions. While at MCB Camp Lejeune, Mrs. Toomey showed our team around their work area. The analysts who work with the models on a daily basis briefed us in more detail.

MCB Camp Lejeune is the home of "Expeditionary Forces in Readiness." Located in Jacksonville, North Carolina, it is home to the following commands: the II Marine Expeditionary Force, the 2d Marine Division, the 2d Force Service Support Group and several other combat units and support commands. As the 5<sup>th</sup> Element of the Marine Air-Ground Task Force (MAGTF), MCB Camp Lejeune is responsible for providing stable and sufficient base operation support to all of its tenant commands. With well over 37,000 Marines assigned to MCB Camp Lejeune along with the employment of over 4,800 civilian Marines, the base Commanding General has, "in effect, city management responsibilities for a major metropolitan area." (MCB Camp Lejeune Strategic Plan, 2002)

MCB Camp Lejeune's mission statement reinforces this responsibility.

Marine Corps Base Camp Lejeune supports the combat readiness of rapid response forces including Marine Forces, Atlantic; Marine Corps Training and Education Command units; Reserve forces; MCAS New River; Joint Maritime Special Missions Center, and units from other Services by providing training, logistics, garrison support, mobilization and deployment support and a wide range of quality of life services including housing, safety and security, medical and dental care, family services, off-duty education, and recreation. (MCB Camp Lejeune Strategic Plan, 2002)

As evidenced in the Base's mission, MCB Camp Lejeune plays a vital role in the success of numerous commands both on and off station. Four overarching themes ensure the strategic plan is understood. They are 1) Support of Combat Readiness, 2) Management Excellence, 3) Long-term Viability of Base Operations, and 4) Community of Quality. (MCB Camp Lejeune Strategic Plan, 2002) Each of these missions is addressed separately with Management Excellence being explored in greater depth.

The support of combat readiness of major units of Marine Forces, Atlantic is the most important mission at MCB Camp Lejeune according to the Commanding General. This is the sole reason for the existence of this base. The other three missions simply enable the base to operate as a viable ongoing concern in order to meet the requirement. All transformations of base operations are geared to help provide an unparalleled level of support. The key areas that have the top priority for development in the future are training ranges and mobilization and deployment support which will have direct impact on support of combat readiness.

Throughout our meeting with Mr. Smith, he stressed the importance of having to deal with the environment surrounding the base in order to be successful. One of his major points is that the base does not exist in a vacuum and many factors, some out of the staff's control, impact their operations. When it comes to the long-term viability of base operations, several threats need to be addressed. These include, but are not limited to: sustaining an aging infrastructure, dealing with encroaching developments of local communities, maintaining and improving quality of life measures, and maintaining surrounding community support. All of these threats to long-term viability require MCB Camp Lejeune to execute long-range planning and to work with local and State agencies. At the same time they continue to be faced with diminishing resources capable of managing the threats and executing the plans. In the end, Mr. Smith purports that this strategic plan outlines a win-win solution for all parties involved.

Quality of life (QOL) is also one of the Base's overarching themes. QOL is synonymous with morale and readiness and it is also a major factor influencing retention in today's Marine Corps. An emphasis on providing the workforce with modern

equipment, professional workspaces, superior training, high quality housing, and quality medical and dental care and for dependents is necessary in today's all-volunteer military. This effort is not just confined to base facilities, MCB Camp Lejeune has partnered with the surrounding communities in improving the QOL for their Marines, dependents, and civilian Marines. Mr. Smith highlighted how the local community of Jacksonville, NC has taken steps to show their appreciation for the military. As our team toured the local area, it became readily apparent that Jacksonville is a military town and their show of support was everywhere. Examples of this support included military discounts at local establishments and demonstrations of support for the deployed Marines via business marquees. Signs of support such as these go a long way toward improving the quality of life of the Marine.

We purposely left the mission of Management Excellence for last as we plan to expand on this discussion, particularly in the area of the Base's BPO. Mandates from Headquarters Marine Corps (HQMC) have directed each installation to incorporate better business practices in their day-to-day business operations, more precisely to "direct and align their strategic plans for implementing the guidance from the business plan." (USMC Business Plan, 2003) Camp Lejeune has long been used as a proving ground for new initiatives by Headquarters Marine Corps when it comes to employing innovative and leading edge management systems. Their current actions including the adoption of a Balance Scorecard (BSC) along with implementing Activity-Based Cost Management (ABCM) systems to better manage cost and performance illustrate the latest initiatives being championed by HQMC. In the area of Activity-Based Costing (ABC), Camp Lejeune has been viewed as a "model" in its implementation of this management tool along with their employment of the BSC in their goal of obtaining the best use of their limited resources. One indication of this quality is provided by the fact that Mr. Smith briefs the new commanders at the annual Penn State briefings with the business operations being the cornerstone of the brief. It is this very reason that we chose MCB Camp Lejeune to be used as our "baseline/benchmark" when comparing the progress of Marine Corps Logistics Base (MCLB) Albany, Georgia in their implementation of ABCM or Activity Based Resource Management (ABRM).



A key element in the success of any organization attempting a transformation process is the mechanism for successful execution. It is one thing to state what direction you want your organization to move, it is entirely another to translate that vision into actions that can be executed with the desired results. Kaplan and Norton discussed the principles required for success in their book “The Strategy-Focused Organization”, 2001. In order to effectively execute strategy, five key principles must be followed. First, you must take the vision and state it in operational terms. You must then align your organization to your strategy if it is not already so aligned. Next you need to make the new strategy part of everyone’s responsibility. Further, it must be made very clear that this new strategy is a process with changes occurring on a daily or weekly basis in order to transform your organization. Finally, words are merely words without the deeds that back them up. In other words, there must be present strong, effective leadership that drives the ship. The management method that the Marine Corps and ultimately MCB Camp Lejeune has chosen to employ is the Balanced Scorecard (BSC). The Commanding General (CG) at MCB Camp Lejeune sets the strategy and then the BSC as the primary mentioned employed to manage assets at his disposal. This course of actions is in alignment with the policy HQMC has set forth.

Through the use of a scorecard with four dimensions, the organization has the ability to translate the vision into operational terms and mobilize everyone in the organization to achieve the goals of the strategic plan. These dimensions include Financial, Internal Processes, Growth and Learning, and the Customer (Figure 5). The BSC allows for each individual to have his or her own job goals linked to the organization’s strategic goals and thus result in the strategy becoming everyone’s objective. Kaplan and Norton identify these four dimensions as being the key elements required for a successful implementation of an organization’s strategy.

## The Four Dimensions of the Balanced Scorecard

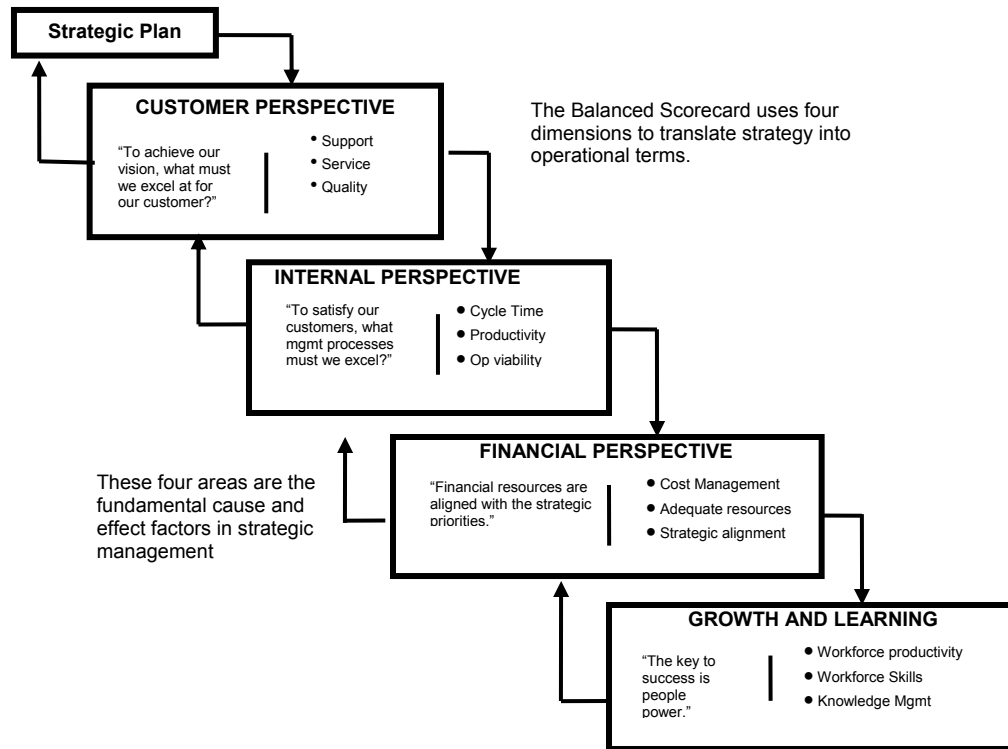


Figure 5. The Four Dimensions of the Balanced Scorecard (Penn State Briefing)

The Balanced Scorecard that MCB Camp Lejeune has adopted along with the reorganization of the Base operations helps to ensure that the strategic objectives are now aligned with their performance measures. Furthermore, the scorecard cascades down two levels through the departments and divisions to ensure that this alignment is maintained throughout their organization.

Before we go any further, it is necessary to briefly describe MCB Camp Lejeune's organizational structure. It has a direct impact on the successful implementation of these management tools. Figure 6 shows the command structure. As you can see in the chart, the Chief of Staff works directly for the Commanding General (CG) and there are five Assistant Chiefs of Staff that report through him to the CG. The BPO that we studied falls under the Business and Logistics Support Department (BLSD). The BPO is

responsible for identifying and introducing new ways of conducting business more efficiently and effectively within the organization and a number of these decisions are fiscal in nature. Therefore, it is imperative that the Business Manager in the BPO has a strong working relationship with the Comptroller of the command.

### MCB Camp Lejeune Organization Chart

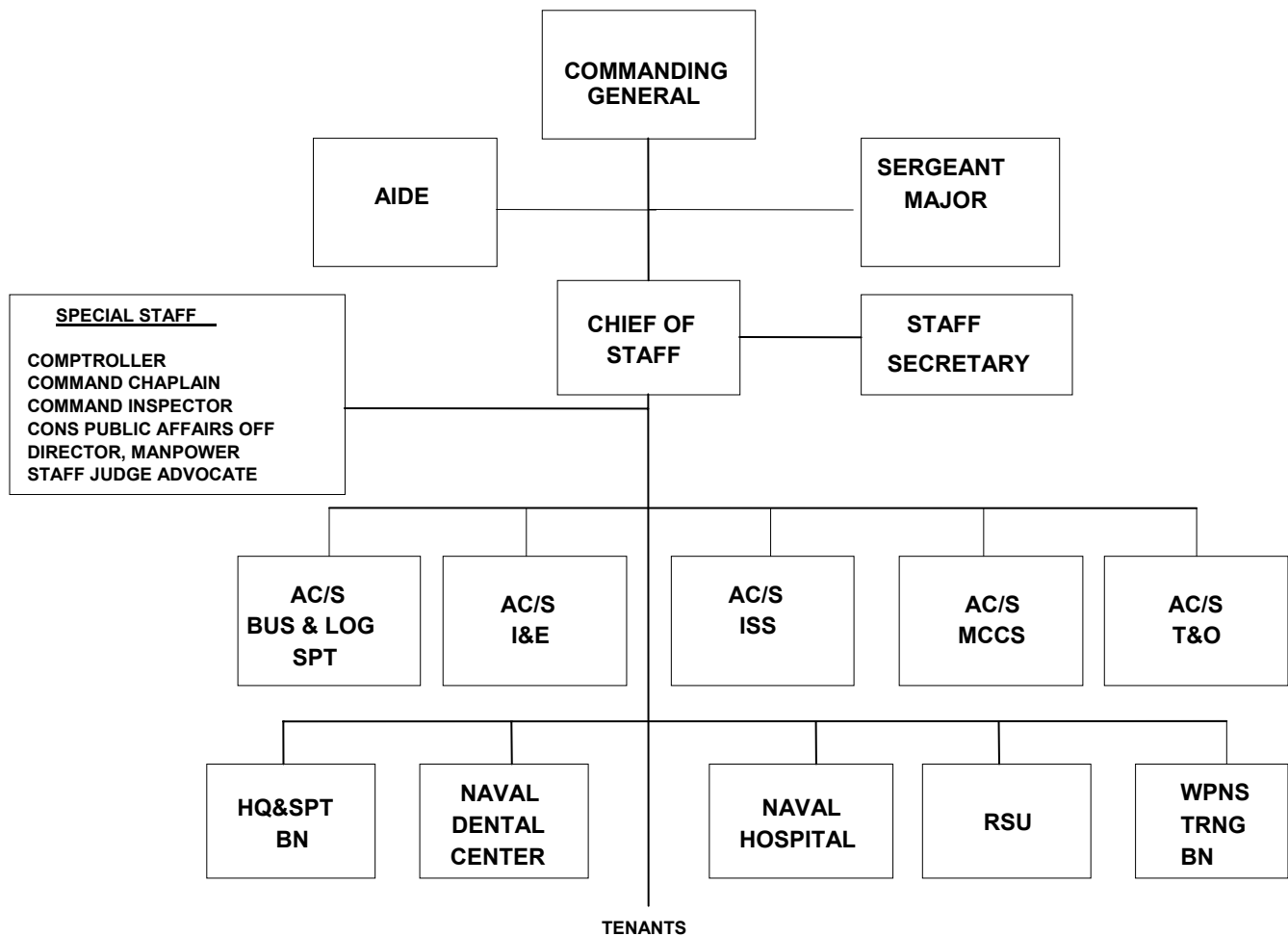


Figure 6. MCB Camp Lejeune Organization Chart

As stated before, one of the first things that MCB Camp Lejeune accomplished was to adopt a process-based organization structure reflecting the 37 standard USMC Processes and Activities shown previously in Figure 4. Mr. Smith explained during our

interview how the Base went on to align their ABCM model to these same processes. This realignment highlighted areas where there were redundancies in support services that were being provided. The resulting analysis of this duplication of efforts resulted in what they refer to as the “Shared Services Concept.” Simply put, there should be “no more than one of anything in the Base organization.” (Penn State Briefing) This Shared Services concept combined common support services that were provided in various organizational divisions. These duties were centralized enabling the Base to provide the same level of service at a reduced cost through more efficient operations. An example of this concept can be found in the BLSD where the Information Technology function was taken out of each division and an Information Systems Management Division was established. Note – this IT division will soon be replaced with the Navy Marine Corps Internet (NMCI) initiative. The supply function was also handled in the same manner. Along these same lines, the BPO provides their services throughout the BLSD to all of the divisions. To gain a further understanding of the Shared Services Concept, Figure 7 shows how this concept is translated to the Base organization. This diagram illustrates how the organizations are traditionally structured regarding the CG, the Executive Steering Committee (ESC), and the various departments. The shared services concept is employed through each department being able to utilize any of the services listed under either the professional/technical advisory or transactional process services headings. This consolidation of services allows for a more efficient operation by not requiring each department to provide duplicative services.

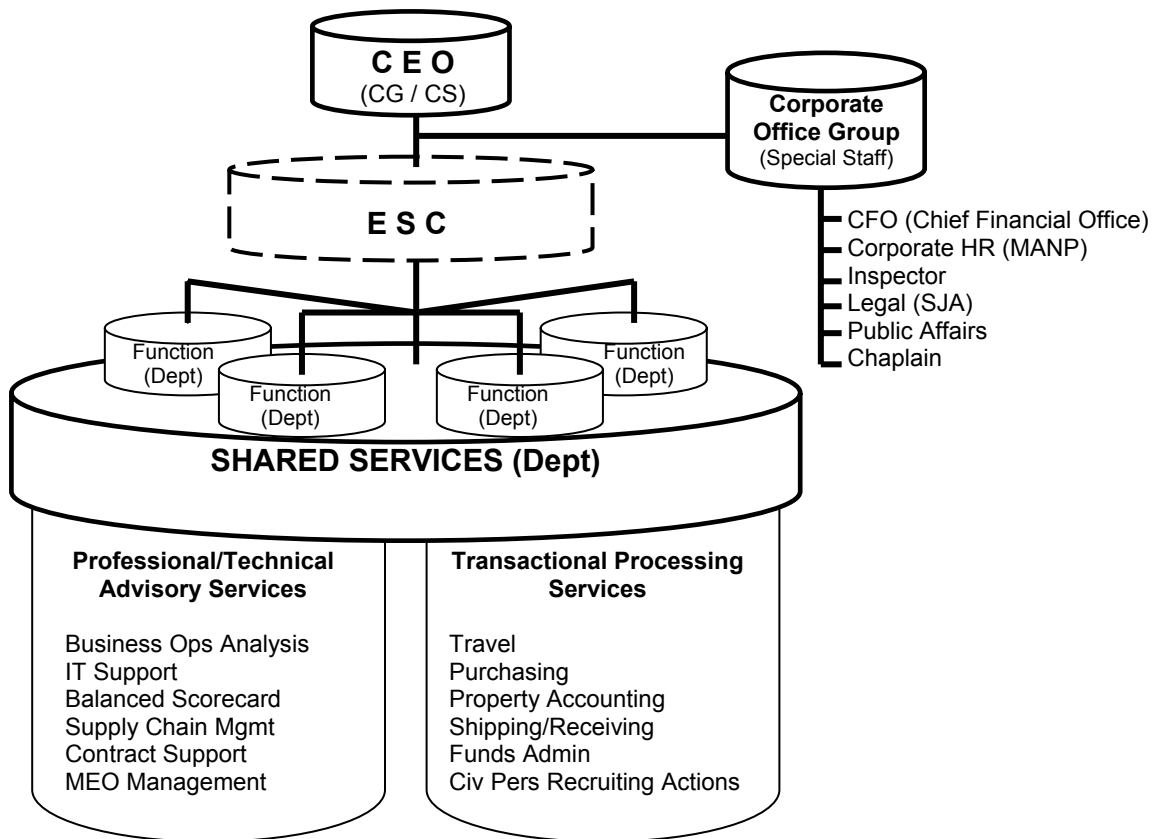


Figure 7. Shared Services Concept (After Penn State Briefing)

By aligning the organizational structure in this manner, MCB Camp Lejeune is able to minimize the cross-functional independence as well as help identify which division is responsible for each function. Duplication of effort can be identified and then these functions can be consolidated under one heading. This service can still be provided at the same level to the customer while also taking advantage of the increased efficiency resulting from consolidation.

Another area that was addressed at MCB Camp Lejeune was to determine which management tools should be used at each level of the organization as well as how these tools should relate to each other. The four levels of management identified by Camp Lejeune were Strategic Development and Refinement, Strategic Management, Operations Management, and Business Transactions. (Penn State Briefing) Kaplan and Norton observed that different managerial tools are needed at each level since each poses its own unique situations. For example, at the Strategic Development and Refinement Level of

the command, the CG and the Executive Steering Committee (ESC) would take advantage of the Strategic Plan to help implement the organization’s mission, vision, and strategy while at the Operations Management level each Division Chief would take advantage of the ABCM tools and Operational Performance measures to make the required “tactical” decisions. Figure 8 illustrates this concept of what tools each level of command might employ.

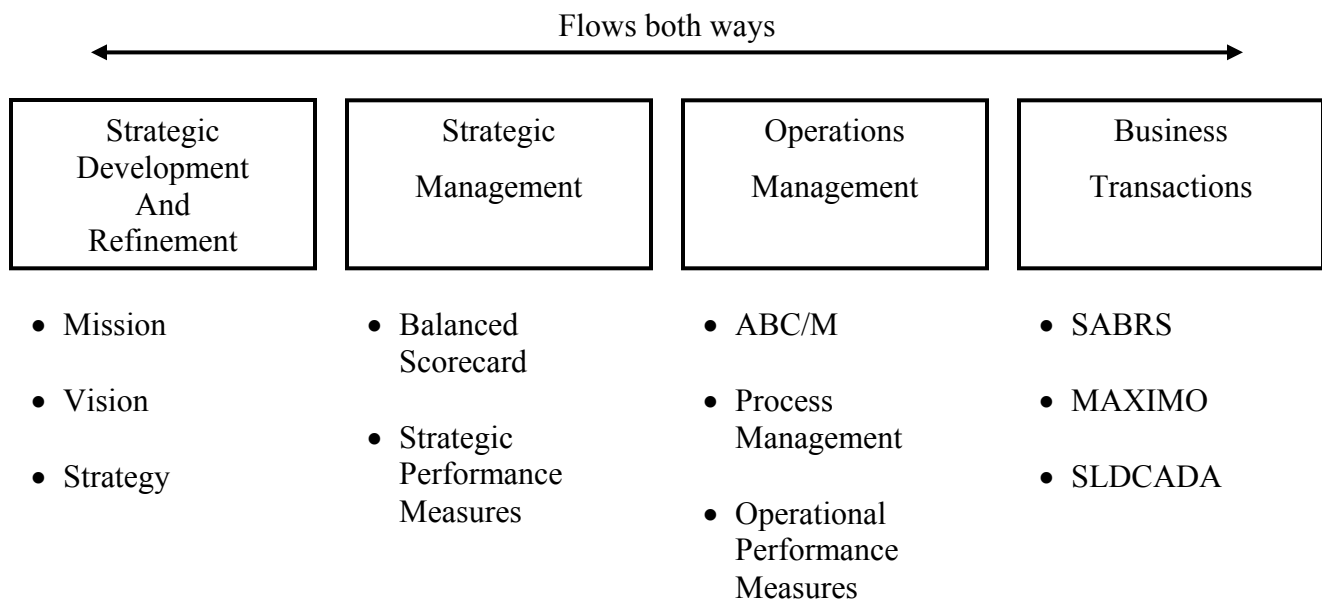


Figure 8. Command Levels and Applicable Tools (From Penn State Briefing)

The BPO at MCB Camp Lejeune has implemented the Balanced Scorecard and ensured that it cascades two levels into the organization. A key point to be reminded of is that the BSC is aligned with the 37 Business Management Categories. The BSC is used at the “corporate” level by the CG to monitor how his strategic plan for the base is being carried out. Mr. Smith explained how this is being implemented. The CG first “contracts” with the head of each department within the base regarding which measures and standards to use. During this process, the Department Heads play an active role in helping set the goals and parameters for their performance. They, in turn, convey these

agreed upon terms and conditions to their respective Division Heads. This is open book management. The theory is that everyone in the organization is in on the plan and they know what is expected of them.

The BPO is responsible for providing all BSC support throughout the Base organization. The BPO does this by maintaining a web-based Scorecard Software. This allows managers of programs throughout the Base to enter their required data with a simple “point and click.” In Figure 9 below, you can see how a sample BSC screen lists each area to be measured. When viewed in color, the screen displays a “quick reference color” (green/yellow/red) indicating how the organization unit is performing compared to the preset standards and shows a “trend” arrow. A quick glance at this web-page gives the manager an indication as to where greater attention needs to be directed. By clicking on an individual line item, the user can get more detailed data including description, responsible manager, and a history and indicator chart.

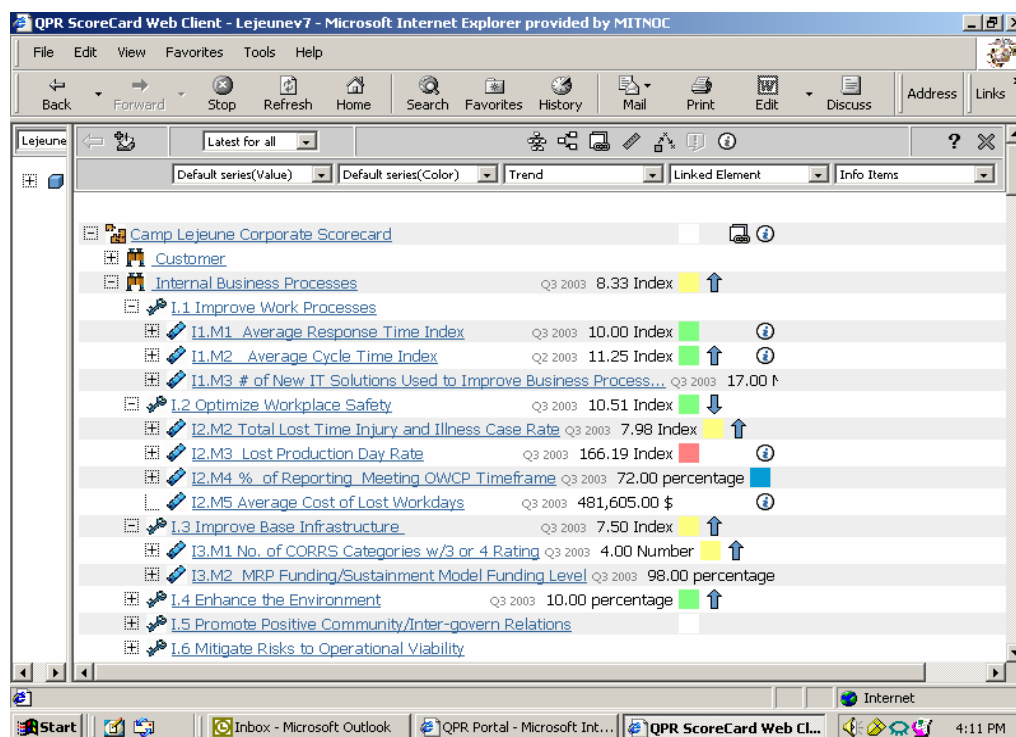


Figure 9. Sample Balanced Scorecard Screen (From Penn State Briefing)

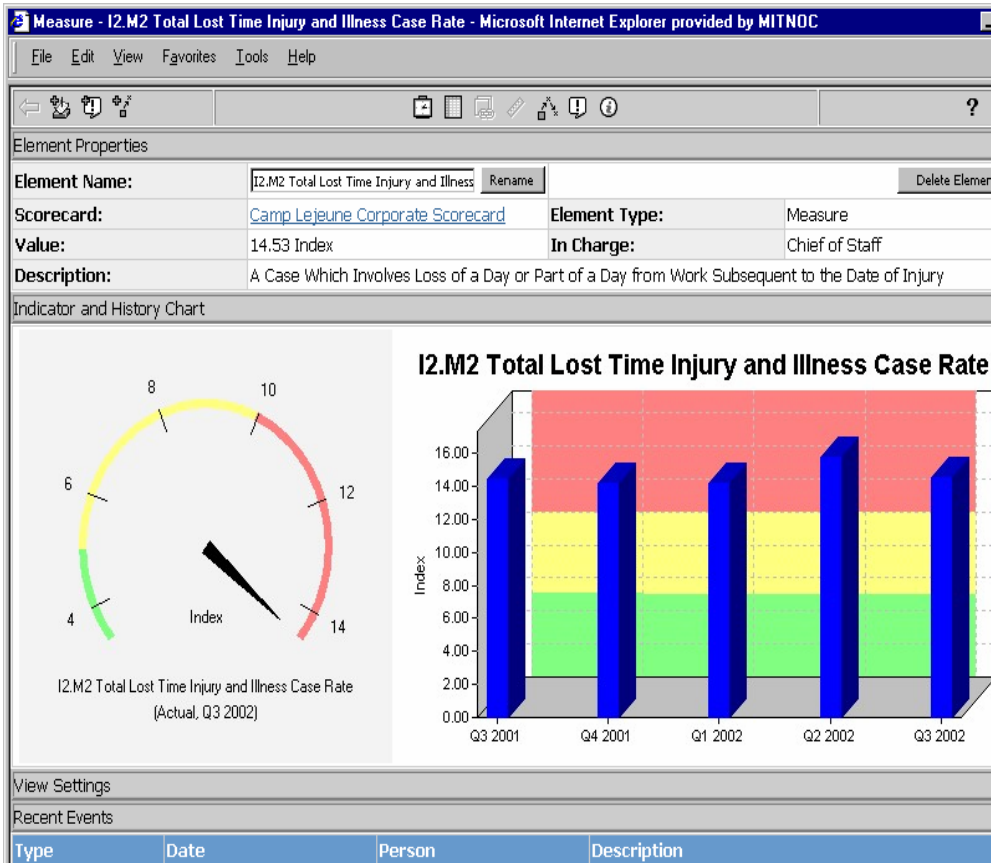


Figure 10. Balanced Scorecard Measure Example (From Penn State Briefing)

At set intervals, the CG reviews each department's performance. Department heads are given the opportunity to discuss and explain their programs that are not performing to the agreed upon level. The CG is more concerned with the explanation than with the actual numbers. As a result, Mr. Smith indicated that the current process has resulted in more open exchanges between the staff, department heads and the CG as they relate to dealing with performance information. Mr. Smith further stated that a major focus at MCB Lejeune is how they can make things better in terms of efficiency and performance. One key element that Mr. Smith has identified in the success of open book management is that everything is out in the open. The only way to truly ensure open communication is for the command to not "shoot the messenger." If there are valid reasons for a specific area to be in the red, they are taken into account and actions are put in place to correct problems or maybe even change which metrics are being measured.



The other main initiative that is being mandated by HQMC is Activity Based Cost Management (ABCM). One must remember that this is simply a “tool” to be used by managers and not the solution to the problem. ABCM is simply identifying the resources used by the organization, and tracing those resources to the activities that consume them. MCB Camp Lejeune has been proactive in this area by analyzing each area in the Base organization to identify the cost drivers for each activity. The BPO, specifically Mrs. Toomey, also reviewed each division’s Process Management in order to help reduce costs further while still improving performance. Her focus was to identify not only what activities were the most important strategically, but also what activities the customer deemed the most important. Although there are numerous items that can be measured, it is imperative to concentrate on those items that are important to the success of the organization. Once these are identified, she worked with the individual divisions in the development of the unit costs to be applied in the formulation of the BSC. The divisions then report their operational performance against the established metrics and this is the data that the Commanding General reviews.

The BPO at MCB Camp Lejeune is continuously assessing the cost drivers and measures that comprise their BSC and determining if the current metrics are the correct ones. The training and education of the end users of these newly implemented tools of the trade is also conducted to help ensure the process is understood by all concerned. These consist of quarterly reviews that revisit each cost driver to ensure that it best represents the performance measure they need to capture.

## **V. MCLB ALBANY STRATEGIC AND BUSINESS PLANS**

Our team conducted an on-site visit to Marine Corps Logistics Base (MCLB) Albany during November 2003. In gathering our data, we interviewed the director of the BPO, Mr. Matt Knox. We were also assisted during our visit by Mrs. Dana Whiddon who oversees the implementation of the ABC model. Mr. Knox briefed our team on both the Strategic Plan and the Business Plan of MCLB Albany.

MCLB Albany is a key logistics planning and provisioning DoD asset and an essential element of the Marine Air Ground Task Force. Located in Albany, Georgia, it is home to the Headquarters element of the Marine Corps Logistics Command (MARCORLOGCOM), the Defense Logistics Agency's Defense Distribution Depot, Albany Georgia (DDAG), the DoD Humanitarian Assistance Program (DoD HAP), and several other "joint" tenants. MCLB Albany is also part of the "5<sup>th</sup> element" of the MAGTF and is responsible for providing stable and sufficient base operation support to all of its tenant commands. There are roughly 700 military from all of the service branches assigned to the base. Over 600 of them are active duty Marines. In addition to this, there are approximately 2100 civilian Marines employed at the base. The Base occupies 3500 acres and is divided into three major areas: Industrial, Command, and Residential. MCLB Albany supports tenants in all of these areas.

Their mission statement is as follows:

Marine Corps Logistics Base Albany is a key part of the fifth (sic) element of the MAGTF. The Base supplies effective and efficient infrastructure and services providing for our families and contributing to the logistical readiness of the Marine Corps. Our major tenant; MARCORLOGCOM, provides the hardware and material deployed units must have to function as integral parts of the operational forces. The Base is the platform for enabling and sustaining all our tenants in the accomplishment of their mission as part of the supporting establishment. (MCLB Albany Strategic Plan, 2004)

The Base provides the infrastructure that all tenant commands rely upon and therefore plays an integral role in the successful completion of each and every one of their tenant's missions. The Base Commander has six overarching themes, shown in

Figure 11, to guide his Strategic Plan. They are Safety, Joint, Public Education, BRAC-05 Readiness, Revitalize Marine Corps Community Services (MCCS) programs, and Base Business Practices. (MCLB Albany Strategic Plan, 2004) We touch on each of these themes with the primary concentration being on Base Business Practices.



Figure 11. MCLB Albany Strategic Themes (From MCLB Albany Strategic Plan, 2004)

MCLB Albany has deemed safety, being safe and secure, as being more important than ever in these times of change. This theme comprises security, fire protection, and environmental awareness as well as personal security. A safe environment in which to work and live is the responsibility of everyone.

The overarching theme of “jointness” not only encompasses the other branches of DoD, but also the private sector. MCLB Albany is a “Marine” base and this will never be forgotten; however, MCLB Albany is able to offer the same types of support and services to others. This is apparent by the increasing “joint nature” of the base over the

last few years. Mr. Knox discussed how over the past few years MCLB Albany has expanded its role in providing service to numerous government agencies. No longer are the Marine Corps the base's only customer. Future growth is viewed as positive and MCLB Albany will seek out even more "new" customers in the years ahead.

Public education is recognized as a vital ingredient to both active duty and civilian Marines Quality of Life. The Commanding Officer (CO) ensures the command puts forth every effort so that all Marines and their dependents are afforded the highest quality education available. Support is being given to programs that focus on education professionals in the local communities along with educational opportunities aboard the base.

With the current and near-future political environment, specifically the impending Base Realignment and Closure Commission, BRAC-05 represents one of the six overarching themes. Every installation within the Marine Corps must justify its existence by proving that the value they add to the Marine Corps and DoD as a whole is greater than the cost associated with operating the Base. In this end, a BRAC-05 office has been established to provide accurate and timely responses to data calls and to provide answers to any clarifying questions that may be asked. As this is critical to the Base's future, adequate support in the form of personnel and information technology (IT) will be provided. To date, the BRAC office at MCLB Albany is staffed with five civilian Marines who are responsible for providing accurate information requested by higher headquarters with regard to BRAC measures.

The Marine Corps Community Service (MCCS) Programs have reached a stage in which a comprehensive review of all operations is warranted. The culminating point that led to this determination was the management decisions that resulted in unacceptable monetary losses over the last two years. While conducting reviews of business operations, the CO also took this opportunity to review the services offered. It is imperative to the Base that the programs and services provided are, in fact, the right ones to be provided, are made available to the right people, and that they are provided at a fair cost to both the end users and to the Base. If a program is found not to be fiscally viable,

actions will be taken to either make them solvent or use the resources in another area. In the end, the primary goal is to provide the services that increase the Marines Quality of Life.

The final overarching theme deals with the Base Business Practices. Mr. Knox stated that due to the rapid changes within the Department of Defense and the need to justify all allocations of resources, the need to justify every fiscal outlay is essential. The Base, in turn, has established a goal of attaining greater management effectiveness and cost efficiency. The Base Performance Office has been given the task of taking the lead to help institute leading edge management systems and processes including Balanced Scorecards, performance measures and Activity Based Cost Management systems. Developing the Base's workforce and increasing the utilization of IT will be essential to effectively manage the organization's cost and performance.

As one of his initial steps in the BPO, Mr. Knox published the MCLB Albany Business Plan. The BPO expanded on the guidance provided to them in the USMC Business Plan and applied it to the overarching themes of the Base Strategic Plan. The success of any program often relies heavily on the command having a clear vision and then being able to translate this to the members of their organization. The Commander's Business Vision lays out in broad terms the direction he wants MCLB Albany to proceed.

MCLB Albany will use an aggressive, methodical, and deliberate approach to implementing business performance initiatives within the organization in order to optimize the opportunities for successful implementation of a base-wide most efficient organization. MCLB Albany will become a world-class leader in the management, use and accountability of its resources. (MCLB Albany Business Plan, 2003)

The USMC Business Plan states what outcomes they expect the installations to deliver in the form of more efficient operations that result in cost savings and the return of Marines to the operating forces. Both of these goals are expected to be achieved without any compromise of the installation's support of their assigned mission. One key incentive is this entire process is "it remains the policy of the Marine Corps that savings above the annual goals will be retained for use by the local commander." (MCLB Albany Business Plan, 2003) The MCLB Albany Business Plan restates what strategic

business improvement outcomes are expected. The list includes aligning the business processes, integrating the strategic plan throughout the command, linking performance measures at all levels through the use of a Balanced Scorecard, implementing ABRM, automating data collection, and developing business knowledge throughout the organization. (MCLB Albany Business Plan, 2003) As with MCB Camp Lejeune, this plan aligns very closely with that of HQMC.

The BPO at MCLB Albany has been following the mandate set forth by HQMC. Mrs. Whiddon has been in charge of the Activity-Based Costing program for the base since 1999. When the BPO was established and Mr. Knox was assigned as the director, the ABC functions were placed within the BPO. As with MCB Camp Lejeune, the Comptroller does not fall under the BPO and instead heads the Resource Management Department (RMD). Mr. Knox also faces the challenge of implementing decisions that affect fiscal management and must work closely with the RMD.

Mr. Knox discussed with our team what steps had been taken and would be taken in the future to implement MCLB Albany's Business Plan. The first step MCLB Albany took was to review all of their installation processes through functionality assessments (FA). The Commanding Officer (CO) directed that these assessments be conducted for the entire organization. However, due to the tremendous number of processes, they initially focused on the ones identified as having the greatest potential for cost savings and process improvement. The initial criteria used in the selection process included the analysis of activities that had been reorganized within the past year. In many cases these activities had not been studied in detail as the new structure was being outlined. The criteria also included activities that had posted a monetary loss over the past two years. The areas that were targeted for the first round of assessments fit these categories. Figure 12 shows the organization chart of MCLB Albany and illustrates the various departments within the base organization. Given the scope of conducting these assessments and the current manning levels of the office, the BPO recognized the need for outside assistance and contracted a consulting firm to assist in the functional assessments. Not only did this enable the BPO to "aggressively" implement their Business Plan, it also allowed them to reap the benefits of subject matter experts in the field of identifying inefficiencies in

business processes. The “low-hanging fruit” or the processes having the greatest potential for cost savings or process improvement identified by the BPO included those in managing financial resources, providing recreational opportunities, the organization of the Public Safety Division, and providing land management services not involved in the A-76 process. (MCLB Albany Business Plan, 2003)

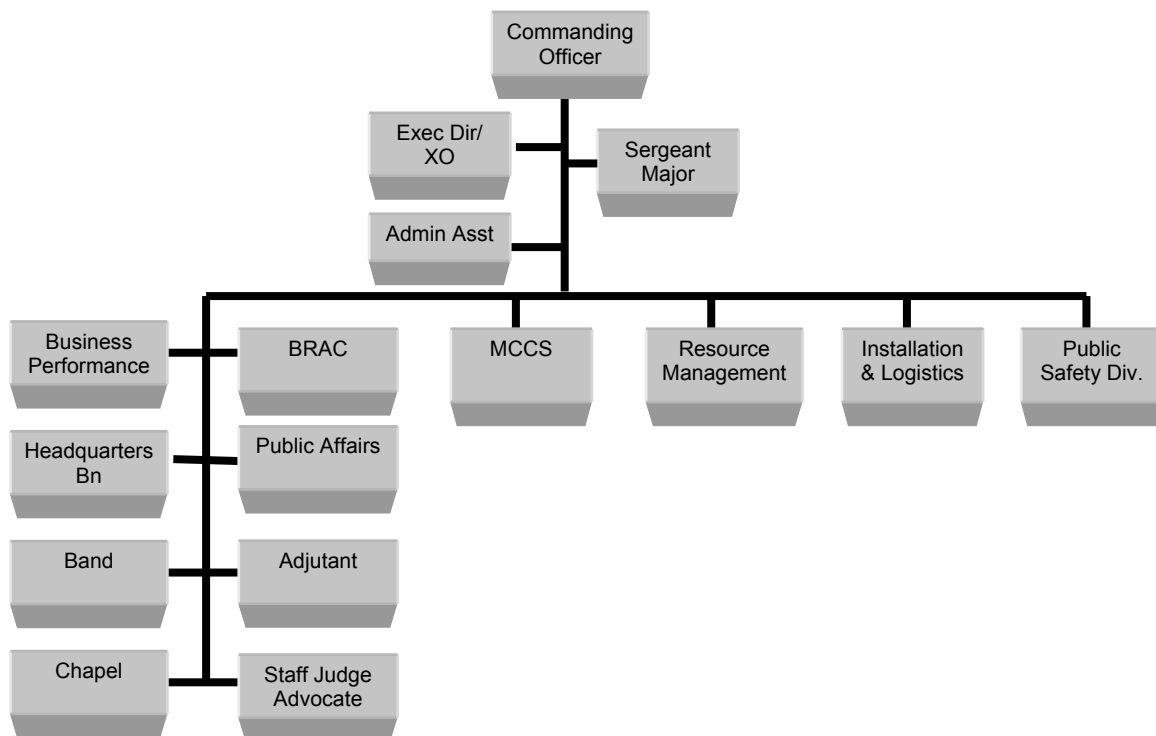


Figure 12. MCLB Albany Organization Chart

One FA that was briefed to our team dealt directly with the Marine Corps Community Services (MCCS) department. This department deals directly with quality of life issues and operates activities such as the retail stores on base, the golf course, the swimming pool, and the hobby shop. Mr. Knox told our team that the base golf course was losing money on a monthly basis and he had been directed to perform an FA on its operations. At the time, the golf course was the greatest financial challenge facing MCCS. The FA analyzed the courses business operations and in the end determined that

is was not cost effective to keep the course open. A cost-benefit analysis was conducted by the BPO and this information was presented to the Base CO for consideration. The analysis was not the only factor considered when determining the final outcome. A Balanced Scorecard approach was taken so that both the base and the patrons of the golf course received consideration in the analysis. One factor considered aside from the strict financial data was what it cost the base golfers to play at the number of other courses in the local area. In the end, the cost of operating the course was determined to be an unacceptable financial strain on the Base and the course closed at the end of December 2004. The CO made what he considered was a necessary, though not entirely popular, decision. The decision reinforced the mandate of being accountable for the resources for which they are responsible.

Mr. Knox stated that his office is continuing to implement Activity Based Costing in their daily operations. The ability for the individual departments to enter their data into a web-based program is up and running. They are also developing a Balanced Scorecard to be used throughout the command. This scorecard will be linked to the strategic plans of both MCLB Albany and HQMC. The BPO is continuously seeking ways to improve the way the Base conducts business. At the time of this writing, Mrs. Whiddon said that they have partnered with MCB Lejeune to develop new software that they believe will result in more efficient business processes. The software will allow data to be shared between the two organizations as well as provide for the opportunity to do additional benchmarking.



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## **VI. ANALYSIS OF MCB CAMP LEJEUNE AND MCLB ALBANY**

The concept appeared simple enough. We were to observe the BPOs at both Marine Corps Base Camp Lejeune and Marine Corps Logistics Base Albany and compare and contrast their operations. The Center for Business Excellence at Headquarters Marine Corps had issued “straight-forward” directives as to how they wanted each BPO to conduct business. One goal of our research was to identify key initiatives and “best practices” that could ensure success if implemented at any BPO throughout the Marine Corps. However, defining “success” has proven more difficult than we first imagined. We selected both MCB Camp Lejeune and MCLB Albany for particular reasons. MCB Camp Lejeune’s BPO is a relatively “mature” office and is recognized by the CBE as one of the top performing offices in the Marine Corps. We selected MCLB Albany because of the structure of their organization, their similarity to MCB Camp Lejeune, and the progress they had made in their own ABC/M implementation. The selection criteria then provided the basis for us to compare and contrast the two offices and determine if there was a commonality in their successes or lack thereof. By studying their operations, would we be able to “benchmark” performance standards to aid in our analysis of MCLB Albany.

The particulars of the HQMC Business Plan, as well as how each Base intended to achieve these goals, have been outlined in previous chapters. There are a number of items to consider before we can analyze their operations. The first is the similarities and dissimilarities of the Bases themselves.

Both Bases have issued their own Strategic Plans that support the HQMC Business Plan. In doing so, they have aligned all of their business processes to mirror the standard management categories as outlined in the Installation Process Model (Figure 4). Another area where the two Bases are similar is that they both support the MAGTF and, they are both part of the 5<sup>th</sup> element of the Marine Air-Ground Task Force. The sole purpose for their existence is to support their tenant commands and ultimately the war fighters at the tip of the spear. A third area in which they are similar is in their Strategic

Plan's overarching themes. Both MCB Lejeune and MCLB Albany list Quality of Life, viability of Base operations, and management excellence among their goals for the future.

Each of these similarities supports a comparison of the two organizations; however, the dissimilarities that were observed demand some attention. The biggest difference between the two Bases is their size. While MCB Camp Lejeune is comprised by over 41,000 active-duty and civilian Marines, fewer than 3,000 active-duty and civilian Marines comprise the MCLB Albany workforce. Another difference was how each Base is dealing with the upcoming Base Realignment and Closure (BRAC). MCB Camp Lejeune is relatively safe when it comes to being closed as a result of the BRAC commission report. On the other hand, MCLB Albany is sufficiently concerned about the risk to make BRAC-05 one of their overarching themes in their Strategic Plan. To this end, a BRAC office has been established within their organization to field any questions and respond to all data calls that may be requested by the commission. One other key area where the Bases are different deals with their reporting chain of command. MCB Camp Lejeune reports to Marine Forces, Atlantic (MARFORLANT) located in Norfolk, Virginia while MCLB Albany reports to Logistics Command (LOGCOM) collocated in Albany, Georgia. MCLB Albany's parent command is also one of its tenant commands.

With these observations having been made, we still had to define our version of "success" when determining the performance of each of the BPOs. A simple measure such as "the amount of money each base saved since their BPO was established" would be ideal. However, it is impractical since we do not have complete information about resources or savings, nor the ability to directly tie savings back to the establishment of the BPO.

Early on in the project we realized that any conclusion would be quite complex. Certain elements were shared by both commands and these would give us a basis for comparison. The facts that we did know consisted of each base having an established BPO with a primary goal to improve the business efficiencies on base. A Business Manager was placed in charge of each office charged with supervising all business activities pertaining to the base. The Base Commanders, the Commanding General (CG) at MCB Lejeune and the Colonel at MCLB Albany, had attended the commander's

course at Penn State that emphasized the importance of ABRM in the current era of budget constraints. Finally, each Base had included in their Strategic Plan the theme of improved business practices.

One area of difference that has been noted is directly related to the “maturity” level of each organization’s BPO. At MCB Camp Lejeune, we observed a robust Activity Based Costing model as well as an established Balanced Scorecard. At MCLB Albany there existed only the ABC model. The Albany office is currently partnering with MCB Camp Lejeune in developing the software required to support their version of a Balanced Scorecard.

During our visit to MCB Camp Lejeune, Mr. Harold Smith gave us a detailed brief on the operations of their office and how they interacted with the rest of their organization. It became apparent why their BPO was seen as a “model” by the CBE. As described previously, one area where the BPO at MCB Camp Lejeune has been successful is in the establishment of a web-based data collection process in which each department in the organization is able to input the information required to support the Balanced Scorecard. Mr. Smith went on to emphasize how performance measurement within the various departments was facilitated through this process. Each Department Head entered into an agreement with the CG as to how their departments would be measured. This “open” style of management allowed for a greater “buy-in” from each organizational employee within that department. If the Department Heads were successful in doing their job and were able to properly identify cost drivers and performance metrics, the employees in their department controlled their own destiny. Mr. Smith went on to explain that it was the CG’s belief that being able to exert control over your circumstances was a key factor in having his Marines, both civilian and active duty, welcome the “open” style of management. The “tools” necessary to conduct business operations in a more efficient manner have been put in place at MCB Camp Lejeunes’ BPO. Time will tell if these programs along with the command’s current attitude will result in continued improvement in their business proceedings.

On our visit to MCLB Albany, Mr. Matt Knox also afforded our team an in-depth look as to how their BPO conducted operations. While dealing with a much smaller

organization, the BPO at the Base also closely followed the directives issued by HQMC. As with the Lejeune BPO, the BPO at MCLB Albany has also established an automated means by which to collect the required activity based costing data. We were shown the results of the functionality assessments that they had conducted. These results will allow them to concentrate further on areas where business inefficiencies have been identified.

For our research, we initially defined success to be how extensively have the business performance measures promoted by the BPO been implemented throughout the organization. As our research continued, we realized the difficulty in actually measuring the extent of implementation. Even with this difficulty, we determined that implementation of the business performance measures throughout the command would provide the best indication of success. In the end, success will be defined over time and the BPOs should have a substantial impact in the degree of success obtained. Arguably, it is important to have an office within a command championing these new business initiatives. However, if the rest of the organization does not come on board with the new program, the expected change is not guaranteed. The BPO at MCB Camp Lejeune has had a significant impact on how the base now conducts business. Improved efficiencies in how MCB Lejeune conducts operations are identifiable when reviewing their individual Balanced Scorecard charts. The current and historical data displayed readily illustrates the improvements that have been made. MCB Lejeune's Balanced Scorecard is an integral part of performance measurement.

The BPO at MCLB Albany, while not as mature an organization as their counterparts in Camp Lejeune, has also had an impact on how the organization operates. A difference of note between the two organizations is the amount of progress each office has been able to achieve in ABCM/ABRM. Through the conversations with both Mr. Smith at MCB Lejeune and Mr. Knox at MCLB Albany, our team observed that the BLSD at MCB Lejeune has been able to implement a more detailed ABCM program than MCLB Albany. This was indicated by MCB Lejeune's extensive ABC model and how it is integrated into their BSC. The integrated computer based programs that allow for everyone in the organization to review the BSC data is another example of the extent of the program at MCB Camp Lejeune. On the other hand, Mr. Knox at MCLB Albany has

many ideas for the ABRM program and needs time to have them implemented. While MCLB Albany has developed a viable ABC model, it has yet to be fully integrated throughout the organization. The ABCM model is complete, but the base has yet to realize the model's full potential and the extent that it can increase efficiency throughout the base at Albany. Mr. Knox said he envisions using this data to assist in making all business-related decisions in the future. Along these same lines, it is his plan to develop a BSC that would assist the CO in all command decisions by keeping the business perspective in context.

A key component in the success of the BPO at MCB Camp Lejeune is senior leadership "buy-in." It is not just Mr. Harold Smith pushing these new initiatives to the rest of the organization. The CG has also been a champion of the cause by requiring all departments in the organization to use the BSC to measure performance. Throughout the interviews our team conducted with Mr. Smith and Mrs. Toomey while on site at MCB Lejeune, it was obvious to us that each person interviewed supported the organization's goals and, maybe more importantly, they said they felt that the CG did as well. This support from the very top of their structure gave credibility to the BPO. For any system to work as designed, it is essential to have organizational buy-in throughout the implementation. For their part, the MCB Camp Lejeune BPO has helped to ensure the successful implementation of the Balanced Scorecard by providing the infrastructure needed, that is the web-based data collection. Having the different departments change to the BSC was important, but having the support provided by the BPO proved just as critical to the success experienced at MCB Camp Lejeune. The BSC allowed each department as well as the command to monitor activities across the command and identify areas that need improvement. Once these areas were targeted, the BPO was tasked with providing ways in which to make the needed changes. The Department Heads would change the way they did business based on the directives from the CG as recommended by the BPO. However, the Department Heads expected these changes to have a positive effect on their operations. The BPO needed to provide the infrastructure necessary to support these newly implemented business initiatives.

As does the CG at MCB Camp Lejeune, the CO at MCLB Albany also requires senior leadership to fully back these new initiatives. From everything we have observed, this is indeed the case. Mr. Matt Knox and his staff have also been a key reason for the successful implementation of these business initiatives. Once you have the vision of where you want your organization to progress, there needs to be the day-to-day operations to support this mission. The BPO at MCLB Albany has provided this support through their functionality assessments, activity-based costing tools, and their overall Activity Based Resource Management approach to conducting business throughout the Base organization. Although MCLB Albany is not as far along in the implementation of the various business initiatives mandated by HQMC as MCB Camp Lejeune, steps to move forward have been taken. One example of this proactive approach is the partnership with the BPO at MCB Camp Lejeune in the development of new software that will support a more extensive version of the Balance Scorecard.

Overall, the BPO's at both installations in our study are making strides in implementing the Business Plan handed down from Headquarters Marine Corps. The structure of the BPO at each Base is consistent with the objectives of HQMC. Also, the tools implemented to measure performance that includes the BSC, activity-based costing tools, functionality assessments, and efficiency studies appear to be proper measurement devices. We have come to the conclusion, however, that it is the personnel involved and their attitude toward change that were ultimately responsible for each BPO's success. This element should not be dismissed when trying to duplicate the success of other installations throughout the Marine Corps. The personnel involved will make or break any program implementation.

## **VII. RECOMMENDATIONS**

Based on our review of the relevant literature and the analysis of the data we collected at MCB Camp Lejeune and MCLB Albany, we have determined certain areas that could benefit from further changes. Each recommendation should be taken as just that, a recommendation. Both installations in our study are doing well, however, our analysis indicates the potential for greater results. These recommendations, while addressing issues at MCB Lejeune and MCLB Albany, are intended to address issues throughout the entire Marine Corps.

Our first recommendation is to staff each BPO according to the Table of Organization (T/O). The message from HQMC establishing the BPOs at each installation directed that each office consist of a minimum of four personnel. The actual number should be directly related to the size of the command that each BPO supports. The minimum T/O outlined for BPO manning consists of one Business Manager, two modelers/analysts and one military member. Neither of the BPOs in our study was manned to this level. The area in which they were lacking was not having an active-duty Marine working in the BPO. Since the conclusion of our research MCLB Albany has assigned a Captain to work in their BPO. Both Bases are currently restructuring their organization to incorporate active-duty Marines in their BPO table of organizations, specifically Financial Management graduates from the Naval Postgraduate School. We can only report on the two installations studied, however it is a reasonable conclusion that the manning requirement will impact each BPO throughout the Marine Corps.

Our second recommendation is the development of a “common business language” to be used throughout the Marine Corps. A key requirement to ensure success across the Marine Corps is for each BPO to communicate using the same terminology. More importantly, this commonality is essential when it comes to HQMC being able to evaluate the business operations of different installations. One such example could be a standard business software suite that is adopted throughout the Marine Corps. However, caution should be observed when trying to solve problems solely through technology. Often, organizations attempt to solve problems through the application of software



without first determining if this software will properly address the issue at hand. With this being said, the BPO's at MCB Camp Lejeune and MCLB Albany have agreed to work on a pilot program to help test a software application that will address this issue. If this proves successful, it could be the first step to institutionalize a "common business language" to be used throughout the Marine Corps.

Our final recommendation is to conduct further studies into the feasibility of "regionalizing" Marine Corps Installations with regard to their Chain of Command. As discussed earlier, MCB Camp Lejeune reports to MARFORLANT while MCLB Albany reports to LOGCOM. In the case of MCB Camp Lejeune, their reporting command is located in Norfolk, Virginia. In the case of MCLB Albany, their reporting command is co-located in Albany and is also one of the Base's tenant commands. An issue that Mr. Knox brought to our attention at MCLB Albany concerned having a parent command as a tenant command. The specific issue deals with funding. Many initiatives require funding to properly be implemented. Mr. Knox stated that having the command that provides funding also be one of the commands you provide service for creates a unique dilemma. Specifically, having one of your tenant commands controlling your funding gave the appearance that their needs were put ahead of other tenants located at the base. This issue was of no concern to Mr. Smith at MCB Lejeune due to their chain of command. One possible solution would be to have all Bases report to the same parent command. "Regionalization" would mirror how Marine Corps Air Bases along the eastern seaboard all report to Marine Corps Air Bases East (MCABE). Very little research has been conducted as to the feasibility of this recommendation and there may be reasons that this has not been done that we have not uncovered. We believe that this is an area that needs to be studied in more detail.

These recommendations are meant to make the current programs stronger and ultimately benefit the future success of the BPO throughout the Marine Corps. The two offices that we studied have a strong foundation and further business process improvements are just a matter of time. With this said, revisiting this topic in one to two years could be beneficial to the Marine Corps as a whole. Improvements in the way the

Marine Corps conducts business will have been made and more BPO throughout the Marine Corps will be experiencing the levels of success that we have observed at MCB Camp Lejeune and MCLB Albany.

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## APPENDIX A. ACRONYMS AND ABBREVIATIONS

<b>A-76</b>	Office of Management and Budget (OMB) Circular A-76
<b>ABC</b>	Activity Based Costing
<b>ABCM</b>	Activity Based Cost Management
<b>ABRM</b>	Activity Based Resource Management
<b>BLSD</b>	Business and Logistics Department
<b>BPO</b>	Business Performance Office
<b>BRAC</b>	Base Realignment and Closure
<b>BSC</b>	Balanced Scorecard
<b>CAM-I</b>	Consortium for Advanced Manufacturing – International
<b>CBE</b>	Center for Business Excellence
<b>COI</b>	Community of Interest
<b>COP</b>	Community of Practice
<b>DoD</b>	Department of Defense
<b>ESC</b>	Executive Steering Committee
<b>FA</b>	Functionality Assessment
<b>FTE</b>	Full-Time Equivalent
<b>GPRA</b>	Government Performance Results Act
<b>HQMC</b>	Headquarters Marine Corps
<b>ICE</b>	Interactive Customer Evaluation
<b>I&amp;L</b>	Installations and Logistics
<b>IHG</b>	Inherently Governmental
<b>LOGCOM</b>	Logistics Command
<b>LR</b>	Installation Reform Office, HQMC
<b>MAGTF</b>	Marine Air-Ground Task Force
<b>MCB</b>	Marine Corps Base
<b>MCCS</b>	Marine Corps Community Services
<b>MCLB</b>	Marine Corps Logistics Base
<b>MEO</b>	Most Efficient Organization
<b>NPS</b>	Naval Postgraduate School
<b>OMB</b>	Office of Management and Budget
<b>ORD</b>	Organizational Requirements Document
<b>PWS</b>	Performance Work Statement
<b>SABRS</b>	Standard Accounting Budget Reporting System
<b>SEP</b>	Special Education Program
<b>T/O</b>	Table of Organization
<b>XBIT</b>	Extensible Business Intelligence Tool

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## APPENDIX B. DEFINITIONS

**5<sup>th</sup> Element** – supporting establishment to the MAGTF, to include Bases and Stations. They provide the means by which we develop, train, and maintain a modern force and they support the quality of life of our Marines and their families.

**A-76 Competitions** – competitions between the Government and the private sector performed per the guidelines of OMB Circular A-76.

**Activity Based Costing (ABC)** – a methodology that measures the cost and performance of cost objects, activities and resources. Cost objects consume activities and activities consume resources. Resource costs are assigned to activities based on their use of those resources, and activity costs are reassigned to cost objects (outputs) based on the cost object's proportional use of those activities. Activity-based costing incorporates causal relationships between cost objects and activities and between activities and resources.

**Balanced Scorecard (BSC)** – a tool for measuring organizational performance across four balanced perspectives: financial, customers, internal business process, and learning and growth. The BSC translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system.

**Benchmarking** – an analytical tool that involves measuring the performance of an organization against the performance of similar internal and external organizations.

**Business Enterprise** – those components of the Marine Corps' active and reserve forces that provide the goods and services needed to ensure the successful performance of the mission of the operating forces. The Business Enterprise has three components: Acquisition, Logistics and Combat Service Support, and Installation Management.

**Business Performance Office (BPO)** – a small advisory staff directed to be organized at each installation that is dedicated to conduct business analysis, manage business information, and assist in the implementation of better business practices at each installation, intermediate command, and HQMC.

**Center for Business Excellence (CBE)** – the BPO for HQMC. Organized in part from current Logistics and Resources staff. The CBE mission is to facilitate, advocate and enable effective cost and performance management throughout the USMC. CBE responsibilities include:

- Analyzing, tracking, measuring and comparing USMC progress in implementing and sustaining ABC, Management and Budgeting
- Conducting cost/performance analysis
- Tracking, reporting and disseminating meaningful information and results

- Acquiring and leveraging information and knowledge about cost and performance management
- Coordinating and/or conducting cost and performance education and training
- Facilitating collaborative learning, sharing and understanding about best practices and cost/performance management.

**Community of Interest (COI)** – Marines, civilian-Marines, and others with vested interest in USMC business reform efforts.

**Community of Practice (COP)** – Marines, civilian-Marines, and others serving as participants in USMC business reform efforts.

**Consortium for Advanced Manufacturing – International (CAM-I)** – a pioneer in ABC, CAM-I continues to remain at the forefront of ABCM by facilitating collaboration among industry and public sector practitioners to develop coherent concepts and practical applications in cost and performance management.

**Extensible Business Intelligence Tool (XBIT)** – implements data warehouse architecture to automate the extraction of data from various legacy systems. These sources contain the necessary personnel and financial information for each command's activity based cost application. The architecture is realized through the use of a standard, centralized global repository that populates each command's ABC models.

**Inputs** – information and materials that flow into an activity or process that are transformed within the activity into outputs.

**Interactive Customer Feedback (ICE)** – a web-based customer feedback system that sends an automatic email to the service provider manager.

**Most Efficient Organization (MEO)** – the MEO refers to the government's in-house organization to perform a commercial activity in an A-76 competition. It may include a mix of Federal employees and contract support. It is the basis for all Government costs entered on the Cost Comparison Form.

**OMB Circular A-76** – document establishing Federal policy regarding the performance of commercial activity studies. It lays out a process developed by the Office of Management and Budget that enables Federal agencies to conduct fair and open competitions between in-house personnel and commercial sources for the performance of commercial functions.

**Open Book Management** – based on the principal that the more people know about the operations of an organization, the better it will perform. Information is shared, among elements of the organization to facilitate performance improvement and cost reduction. It should not used as a power tool to intimidate, or control – it is a means to identify

efficiencies leading to best practices, and also a means to educate people to work together to achieve common goals.

**Organizational Requirements Document (ORD)** – a detailed description of the requirements of the function under review which includes detailed performance requirements with performance level agreements.

**Outputs** – amount of workload accomplished. Reports unit produced or service provided.

**Performance Measures** – indicators of work performed and the results achieved in an activity, process, or organizational unit. Performance measures may be financial or nonfinancial.

**Performance Work Statement (PWS)** – a PWS is a statement of the technical, functional and performance characteristics of the work to be performed in a contract. It identifies essential functions to be performed, determines performance factors, including the location of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units. It serves as the scope of work and is the basis for all costs entered on the Cost Comparison Form in an A-76 competition.

**Strategic Plan** – the Strategic Plan is the primary tool used by senior leadership to establish direction, alignment and measurements. Standard components of a strategic plan include: organization mission, vision, goals, strategies, and measures of success.



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